

In general, the Retailers' Occupation Tax does not apply to sales of machinery and equipment used primarily in the manufacturing or assembling of tangible personal property for wholesale or retail sale or lease. See 86 Ill. Adm. Code 130.330. (This is a GIL.)

January 10, 1999

Dear Mr. Xxxxx:

This letter is in response to your letter that we received October 5, 1998. The nature of your letter and the information you have provided require that we respond with a General Information Letter which is designed to provide general information, is not a statement of Department policy and is not binding on the Department. See 86 Ill. Adm. Code 1200.120(b) and (c), enclosed.

In your letter, you have stated and made inquiry as follows:

My name is PERSON and I am the President of a new video post-production company called COMPANY.

It is my understanding that my company qualifies under the manufacturing exemption from Illinois sales and use tax (86 Ill. Adm. Code 130.330) whenever we purchase equipment to be used primarily in video post production.

Attached please find the 5 pages I usually send my vendors to confirm that COMPANY is indeed a video post production company that qualifies for this exemption. As you will see, part of the package consists of a letter ruling from your legal department that explains *why* and *how* COMPANY is tax exempt.

The problem -- I have encountered a vendor that finds this paperwork unacceptable to their accounting department essentially because the letter from the Illinois Department of Revenue is not *specifically* addressed to COMPANY. The vendor insists on getting some sort of tax exemption number - which is legally not possible since we are *not* a non-profit organization or reseller- or something from the IL. Dept. of Revenue that confirms our exemption status. (Please note that the ST-587 form is helpful, but does not state this either, since it is a form we fill out and the seller keeps on file).

It would be very much appreciated if I could get a letter from your office stating that COMPANY is a post production company that falls under the aforementioned letter ruling. If that is not possible, what certificate may I apply for that *will* state this?

Based upon the very limited amount of information in your letter about the operations of your company, we cannot provide you with a determination regarding

whether your company would qualify for exemption status when purchasing equipment. See the last paragraph of this letter for information about how you can apply for a binding determination. Although we cannot provide a binding determination in the context of a General Information Letter, we will provide the following general information for your consideration.

Enclosed is a copy of 86 Ill. Adm. Code 130.330 concerning the Manufacturing Machinery and Equipment Exemption. In general, the Retailers' Occupation Tax does not apply to sales of machinery and equipment used primarily in the manufacturing or assembling of tangible personal property for wholesale or retail sale or lease.

The manufacturing process is the production of articles of tangible personal property, whether such articles are finished products or articles for use in the process of manufacturing or assembling different articles of tangible personal property by procedures commonly regarded as manufacturing, processing, fabricating, or refining which changes some existing material or materials into a material with a different form, use or name. These changes must result from the process in question and be substantial and significant, Section 130.330(b)(2).

I hope this information is helpful. The Department of Revenue maintains a Web site which can be accessed at www.revenue.state.il.us. If you have further questions related to the Illinois sales tax laws, please contact the Department's Taxpayer Information Division at (217) 782-3336.

If you are not under audit and you wish to obtain a binding Private Letter Ruling regarding your factual situation, please submit all of the information set out in items 1 through 8 of the enclosed copy of Section 1200.110(b).

Very truly yours,

Karl Betz
Associate Counsel

KB:msk
Enc.